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C O N F I D E N T I A L VILNIUS 000530

SIPDIS

STATE PASS TO EUR/NB AND EUR/PRA (MCASSAYRE)

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SUBJECT: LITHUANIA'S MFA WARY OF PROPOSED ARMS SALE TO NEPAL

REF: G. SHELTON E-MAIL FROM EMBASSY KATHMANDU 5/23/05

Classified By: Political/Economic Officer Alexander Titolo for reasons
1.4 (b) and (d)

1. This is a short-fuse action request; see para 6. We need input from Washington and Kathmandu by OOB May 24.

2. (C) SUMMARY: Kestutis Jankauskas, Director of the MFA's Security Policy Department, notified us on May 18 of an application of a Lithuanian company for a license to export ammunition-manufacturing equipment to the Government of Nepal. Jankauskas said the GOL was consulting with us under the terms of the confidential bilateral agreement our governments concluded via an exchange of notes in April of this year, preliminary to Lithuania's membership in the Wassenaar Arrangement. Jankauskas said that the MFA has suspicions that the equipment may be diverted to other recipients, possibly including terrorists, and general reservations about providing an export license for the sale of such equipment to Nepal. He bases his suspicions on the high value of the sale of ostensible "replacements," and his reservations on the internal civil strife and concern for the human rights situation in Nepal. Jankauskas suggested that defense firms may be looking to export arms or related material from Lithuania because they believe it will be easier to gain export licenses from the GOL than from Western European governments. He noted that the governments of France and Germany have previously denied export licenses to Nepal for category ML18 items.

DETAILS OF THE PROPOSED SALE

3. (C) JSC Manubaltas, a Lithuanian firm the MFA maintains is a wholly-owned subsidiary of the French company Manurhin Equipment S.A., proposes to export ammunition-manufacturing equipment, which the MFA believes falls into category ML18 of the national common military list. (Post was not able to confirm the link between Manubaltas and Manurhin. Manubaltas has no active telephone number or website. Its address is listed as Zirmunu street 68, Vilnius. Jankauskas said the company has "stock" valued at about USD 6,000.) Jankauskas estimated the value of the contract at EUR15 million.

4. (C) The official buyer of the equipment is the Ministry of Defense of Nepal; the official end-user the Sundarijal Defense Factory. The Directorate of Defense Production, Royal Nepalese Army, Sundarijal Defense Factory, Sundarijal-Kathmandu Nepal sealed the end-user certificate under the signature of Brigadier General S. D. Shah, Director of Defense Production of the Royal Nepalese Army, January 14, 2005. The Nepalese Charge d'Affaires in Moscow (name illegible) authenticated the seal and signature on March 21.

5. (C) The GOL's interagency export control board will review the license request on May 24. Because of the high value of the sale, Jankauskas expects significant interest on the part of some board members to approve the license application, and he wants to be able to make a strong, informed argument on the merits -- for or against. He requested that the USG provide any information available on the following issues by May 24 to assist the board's decision making process:

- bona fides of Sundarijal Military Factory,
- possibility of diversion in transit,
- verification of the Ministry of Defense's need for the equipment, and
- record of Manurhin Equipment S.A. supplying products to unstable states.

6. (C) COMMENT AND ACTION REQUEST: This request demonstrates Lithuania's serious commitment to non-proliferation and recognition of the importance of our bilateral cooperation. We request Department and other addressees provide any information releasable to the GOL that will complement their efforts. We appreciate Embassy Kathmandu's quick response and input (ref e-mail) on the issues of Sundarijal's bona fides, possibility of diversion in transit, and the Defense

Ministry's need for this equipment. We call attention to the short fuse to respond to the MFA before the May 24 meeting.
Kelly